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INTELLIGENCE MEMORANDUM

CHANGES IN THE AGRICULTURAL POLICIES
OF THE EUROPEAN SATELLITES
DURING 1953

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FOREWORD

The "New Course" in economic policy recently announced by each of the European Satellite governments reflects more or less the pattern developed in the USSR insofar as agriculture is concerned. The ultimate goal of all the Satellites in the development of a food and raw material base is the complete collectivization of agriculture, but the Satellite governments, currently in need of food for their nonfarm populations and raw materials for their industries, have made gestures of offering incentives to their independent farmers so as to increase the availability of agricultural products.

This memorandum deals with the probable effectiveness of the attempt of the Satellite governments to increase availabilities of agricultural products without giving up their goal of complete collectivization.

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CHANGES IN THE AGRICULTURAL POLICIES OF THE EUROPEAN SATELLITES*
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Summary

The "New Course" in economic policy adopted by the European Satellites** during the last half of 1953 involves in general a decreased emphasis on heavy industrial production and capital investment and an increased emphasis on production and investment in agriculture and in the consumer goods industries. The "New Course," which involves relatively short-term plans as it affects agriculture, cuts across established long-range plans, and it attempts to stop the downward trend in agricultural production, to consolidate and strengthen gains made in the socialized sector, to obtain more agricultural products from peasants through inducements, to increase the agricultural machinery base, and to bolster peasant morale.

This course, taken by all the European Satellites, was precipitated by the adverse cumulative effects of overemphasis in heavy industry and in certain other sectors of the economy and the increasing apathy of collective and independent farmers. The timing of the announcements of the Satellites' "New Course" closely paralleled the announcement of new agricultural and consumer goods programs in the USSR.

The successive announcements of the Satellite governments, made between June and October 1953, represented a progressive limitation on the scope of the "New Course" -- in concessions to peasants, in shifts in investment from heavy industry to agriculture and light industry, and in the relaxation of collectivization. The scope of the changes in agricultural policy introduced in the "New Course" was perhaps greatest in significance in Hungary and least in Poland.

* The estimates and conclusions contained in this memorandum represent the best judgment of the responsible analyst as of 15 March 1954.

** Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

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Decrees issued to implement the "New Course" indicate a series of government-sponsored programs dealing with various aspects of collectivization, compulsory delivery quotas, taxes, sundry debts of peasants, investments, credit, peasants' income, price policy, agricultural machinery, agrotechniques, technical training and guidance in agricultural production, and other matters affecting the availability of agricultural and consumer goods.

To date, benefits to peasants have been limited to some adjustments in collectivization and compulsory delivery quotas, cancellations of arrears in taxes, price reductions in manufactured consumer goods, and general concessions on some minor items. In actuality there has not been any perceptible significant increase of material benefits to the peasant. The new agricultural policies as a whole appear to amount to the adoption of more realistic goals in agricultural production and a change in tactics as a means of accomplishing the original long-term goal of complete socialization of agriculture.

Given the pattern of implementation now under way and the time necessary for investments in agriculture to become effective, it does not appear likely that the agricultural production goals can be reached during the estimated life of the present programs (1954-56). As a result, the European Satellite governments will continue to face the problem of inadequate agricultural production to support the desired increase in living standards and light industrial production. The passive resistance of the peasants will continue to plague the Communist programs and will have a depressive effect upon the economic capabilities of the European Satellites as long as the Communist regimes actively pursue their goal of socializing agriculture.

1. Introduction.

Changes in the agricultural policy of the European Satellites during 1953 were introduced as part of the so-called "New Course" in economic policy. The "New Course" is not a significant departure from the basic agricultural policy of the Satellites but rather a change in methods to reach the goals of that policy. The object of Soviet policy in the European Satellites has been the complete Sovietization or socialization of each country. Each Satellite in early 1953 was at a

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different stage of socialization, depending on the degree of synthesis of the various and numerous economic, social, and political factors which are combined in the socialization process. By the end of 1953, Bulgaria and Czechoslovakia had completed their first Five Year Plans. The greatest degree of collectivization had also been accomplished in these countries.

In the field of agricultural policy the European Satellites have attempted to reconcile an increasingly firm stand on the goal of socialization with the early decision to collectivize agriculture gradually rather than to follow the Soviet example of forced collectivization. This attempt has resulted in an apparent inconsistency in their policy pronouncements and implementations as they have attempted to bridge the gap between party policy and peasant acceptance. The party doctrine -- that only through socialized large-scale production can agriculture successfully produce its share of the national income -- presupposes a completely socialized agriculture and further implies that any policy which causes a deviation from this goal is only a temporary expedient which in time can be turned to the benefit of the regime's long-range policy.

The accumulation of succeeding events and conditions, both political and economic, prior to and during 1953, brought into clearer focus the rebelliousness of the peasants and the recognition by the Satellite governments that their programs had caused a critical imbalance in their economies. In their determination to maintain the initiative in directing their own predetermined programs of socialization and in accordance with Soviet policy, all the governments of the European Satellites between June and November announced shifts in emphasis on investment from heavy industry to agriculture and light industry, varying in degree from country to country according to local interpretation and needs. Beginning with the East German and Hungarian announcements in June and July, respectively, each succeeding policy announcement has tended toward relaxing the pressure on collectives with an accompanying promise of a rise in living standards by increasing agricultural production. Each country as it fell into line has been more guarded in its promises.

2. Announcements of Revised Agricultural Policies.

A review of policy announcements by the European Satellite governments reveals a similarity of purpose and intention in announcing their changes in agricultural policy. East Germany was the first to announce officially a change in agricultural policy. East Germany, which made

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its announcement on 9 June, was followed by Hungary on 4 July, Rumania on 22 August, Bulgaria on 8 September, and Czechoslovakia on 15 September. Albania has not, in so many words, announced a "New Course" but did announce new agricultural policies in a series of four statements between 22 June and 8 September 1953. Poland announced at the Ninth Plenum Conference, 29-30 October 1953, a revised agricultural program for 1954-55. However, Premier Boleslaw Bierut had outlined essentially the same program on 21 July 1953. Poland did not go so far as the other Satellites. Its program is simply a downward revision of Polish 6-year planned goals rather than a new policy.

To date, all announcements of the new programs, particularly for those countries on a higher level of industrialization -- that is, Czechoslovakia, East Germany, and Hungary -- have instituted a modest reduction of investments in heavy industry. At the same time, there has been an increase in investments in the agricultural sector, together with other adjustments designed to increase the availability of consumer goods, to improve housing, and in general to increase the living standards of both worker and peasant.

3. Reasons for Changes in Agricultural Policies.

The European Satellites, in announcing their new emphasis on increasing the level of agricultural production, stated two major reasons: (a) to raise the standard of living of the people and (b) to overcome the adverse effects upon industrial production and expansion caused by low agricultural productivity. Low standards of living and low agricultural productivity were causing serious repercussions on the economic stability and capabilities of the European Satellites.

Agricultural production after World War II was making a satisfactory recovery throughout Eastern Europe until approximately 1949, when Communist policy began taking a more dominant role in the countryside. Long-range planning for agriculture -- including socialization -- was introduced in varying forms in all the Satellites. At the same time, government plans called for tremendous gains in the field of heavy industrial production. These gains were made at the expense of investment in agriculture and light industry. The net effect of the attempt made to carry out these plans has been a retardation in agricultural development, which has in turn reduced the ability of the European Satellites to obtain adequate foreign exchange, establish food stock-piles, and supply an expanding industrial labor force.

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The greatest single factor (other than weather) which has adversely affected agricultural production in the European Satellites is the Communist policy of collectivization. Although the rate and intensity of collectivization have varied throughout the Satellites, leaders of all the Satellites have announced since 1949 their goal of eventually bringing all farmers into collectives. The expressed intentions of the governments to collectivize, together with the implementation of policies aimed at forcing the peasant into a collective by economic or other pressures, have had a definite depressive effect upon production, especially in the livestock sector.

Agricultural production had not attained prewar levels by 1953 and showed signs of weakening to a downward trend. The animal husbandry industry probably has suffered the most. By 1951, livestock numbers were approaching prewar levels and in some categories, notably hogs, had attained prewar levels. Because of a short fodder base and forced deliveries, however, animals have been slaughtered at lighter weights, causing the production of meat, animal fats, and dairy products to be considerably below prewar levels. The average per capita consumption of meat in Eastern Europe even in the best postwar years has been only 80 percent of prewar consumption, and consumption of animal fats has been lower yet.

From the point of view of agriculture, Satellite policies seem to be more of a short-term proposition (2 to 3 years) rather than long-term (5 or more years). The short-term objectives may be summed up as follows: (a) to stop the apparent downward trend in agricultural production and show slight increases; (b) to consolidate and strengthen gains made in the socialized farming sector to make it economically self-supporting; (c) to induce the peasant, by means of incentives, to market a greater share of his production; (d) to increase significantly the agricultural machinery base; and (e) to improve peasant morale.

The long-term objectives of the Satellites have not changed as a result of the "New Course." The slight shifts which have been made in the short-term plans may, in the long run, help the Communist regimes to attain their original objectives in the field of agriculture. These goals are as follows: (a) to isolate and eventually to eliminate the kulak, (b) to stabilize and strengthen the agricultural economy so as to have a stronger base upon which to socialize agricultural production facilities completely, and (c) to increase agricultural production over prewar levels to meet more adequately the requirements of the population and light industry.

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4. New Agricultural Policies.

Most of the new economic policies of the European Satellites follow a somewhat similar course with regard to shifting emphasis to the agricultural and consumer goods sectors at the expense of capital goods. The greatest shift in 1953 occurred in Hungary; the smallest shift, in Poland. All the Satellites plan to increase agricultural production, with the main emphasis on animal industry. Premier Nagy of Hungary, just before the Berlin riots, reiterated a firm stand on the continued collectivization of agriculture. The "New Course," announced less than a month later, however, was a complete reversal of this policy in that it provided for voluntary withdrawal from cooperatives, reduction of compulsory delivery quotas, cancellation of taxes and quotas in arrears, and a shift of investments from heavy industry to agriculture and light industry. On the other hand, Poland, the last European Satellite to announce its "New Course," outlined a more limited program, calling for economic adjustment but not so definite a shift of funds to the agricultural sector of the economy at the expense of heavy industry. Poland, with a somewhat less well-developed industrial sector and with only 6.5 percent of its agricultural area collectivized, has adopted a plan which represents in effect a shift of emphasis during the last 2 years of its 6-year plan. Unlike other Satellites, Poland has not given concessions to the peasants in the form of reduced compulsory delivery quotas, right of withdrawal from collectives (as in East Germany and Hungary), higher prices paid by the state for agricultural commodities, and revision in land tax rates. Paradoxically, collectivization is to continue, while at the same time increased "benefits" are to accrue to independent farmers in an effort to stimulate greater production.

The agricultural policies of the other European Satellites fall between the extremes of the above two "New Courses." In general, all follow the same pattern with variations to meet social and economic conditions. Except as already noted, the main characteristics of the several versions of the "New Course" in agricultural policy fall under several general headings.

a. Collectivization.

The "New Course" provides for a relaxation of the drive to recruit new members for the formation of collectives. Bulgaria, the leader in collectivization, with 52.3 percent of the farms and 60.5 percent of the arable land in addition to State Farms under state control,

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relaxed collectivization in 1952 but plans to increase agricultural production mainly through its collective system, which it consolidated during 1953. Czechoslovakia, second to Bulgaria in collectivization, with 44 percent of the arable land collectivized, has announced plans to organize new cooperatives only upon the stated willingness of farmers and at a rate consistent with increased availability of agricultural machinery, particularly tractors and combines. The East German farmers who fled to West Germany and the farmers who had moved to the city were allowed to return and reclaim their holdings. The right of members to withdraw from collectives was announced in Hungary, Czechoslovakia, and East Germany as a means of strengthening the ties between the collectives and the government. This change has resulted in small losses of collective membership in Czechoslovakia and East Germany, while Hungary suffered more significant losses, some 50 percent. However, at the same time that the governments were announcing the relaxation of the collectivization program, they were strongly affirming that total socialization of agriculture is still their ultimate goal.

b. Delivery Quotas, Taxes, and Debts.

All European Satellites except Poland made concessions to collective membership and independent farmers by revising compulsory delivery quotas. Poland promised no change in future compulsory delivery quotas over 1953. Rumania gave no concessions for crop deliveries during the current year but did reduce quotas on meat, wool, and milk deliveries. In many of the countries, substitutes of certain commodities were acceptable, such as other grains for wheat, grains for meat and vice versa, poultry for meat, and dairy products for meat. In all instances of relaxing delivery quotas, independent farmers did not fare so well as those in the collectives. Whereas collectives' quotas may have been reduced 25 percent, independent farmers' quotas were reduced only about 10 percent. Arrears in quota deliveries for past years were to be wiped out, and fines imposed for nondelivery in past periods were to be cancelled for peasants who met their full delivery quotas at the end of the 1953 harvest season.

Land taxes for the year 1953 were to be reduced for both collective and independent farmers, with promised cancellations of back taxes upon receipt of current tax payments. In some countries, especially Albania, Bulgaria, and Hungary, back debts were to be cancelled, whereas in Poland the time of repayment for small farmers was extended over a 3-year period, and in Czechoslovakia a moratorium of from 1 to 8 years was granted to members of newly organized collectives.

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c. Investments and Credit.

The European Satellite governments announced increases in investments in the agricultural sector over previous years. In Czechoslovakia, investments in agriculture tend to favor the expansion of agriculture through more and better equipped and better managed machine tractor stations, which are to act as the base for furthering production. The "New Course" does not make nearly so strong a pretense here as in some of the other countries (Poland, for example) of effecting a basic change in the allocation of resources between investment and consumption or between heavy industry on the one hand and light industry and agriculture on the other. A continuation and increase of exporting industrial goods is also expected to provide more imports of raw materials and foodstuffs.

The increased investments in agriculture throughout the European Satellites are to be channelled into the collectives and into machine tractor stations. The aims are to make available more agricultural machinery and implements to both collectives and independent farmers, to provide seed and fertilizer, to carry out research programs, to provide credit to both collectives and independent farmers, and to establish a firmer base on which to increase the livestock numbers. In some countries, community stores are envisioned for easier availability of consumer goods and food to the rural population. Rural housing is to be improved and expanded.

d. Peasant Income.

Through a variety of programs the peasants' income was to be increased. The reduction of compulsory quotas in most countries was to give the peasants more commodities to sell on the free market at higher prices, and it was to be accompanied by an increase in government procurement prices. In most of the European Satellites, retail prices were lowered in the government stores. Free veterinary services to the peasants in several countries were intended to lessen livestock mortality and provide more incentive to increase livestock numbers. In those countries (Hungary and Rumania) that witnessed an increase in "reserve lands," as a result of peasant abandonment, independent farmers were promised longer leases (up to 5 years) when renting this land.

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e. Technical Training.

It is evident that the several European Satellite governments recognized as one of the weaknesses of agricultural production the lack of adequately trained technical personnel to direct the agricultural program in its technological, organizational, and ideological aspects. The Communists now indicate by their own actions their need for properly trained and indoctrinated personnel to lead, not drive, the rural population.* The "New Course" calls for technicians and supervisors who not only are experienced but also have the proper ideological background to fill the scientific gap in agricultural production. The training programs as announced appear to be of greater benefit to the socialized sector than to the private sector.

5. Implementation of the "New Course."

Decrees have for the most part been formulated to put into force or set up the machinery for implementing the "New Course" as announced in the European Satellites. The decrees apply primarily to so-called "concessions" given to peasants as listed above -- such as reduction of compulsory delivery quotas, cancellation of arrears in taxes and quota deliveries (given certain conditions), and price reduction. Implementation of the program, however, has not offered the peasants any material benefits (except for a small group of peasants in Hungary and East Germany who were allowed to leave the collectives). They never had the taxes or produce to deliver, and the reduction in compulsory delivery quotas does not mean, therefore, an increase in their real income.

a. In 1953.

The increase in consumer goods to rural areas, which is part of the "New Course," has not been significant. In the last quarter of 1953, consumer goods from reserve stocks were released, but the primary beneficiary was the urban worker. Additional increases will depend upon the ability of the Satellites to import raw materials for planned increases in light industrial production and imports of finished goods.

* The Polish government, for example, claims a new need for 50,000 college-trained and 175,000 vocational trained agriculturists.

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There is evidence that the Satellites have signed trade agreements which posit increases over previous years in imports of both raw materials and finished consumer goods. However, in view of the below-average 1953 harvest and peasant noncooperation in fulfilling delivery quotas, some of the governments now find themselves faced with the problem of unplanned imports of food to supply the urban worker, which may be realized at the expense of planned imports of raw materials for light industry. The discriminatory collective-minded policy against the private sector and the many devices to restrict rural consumption of consumer goods in favor of industrial development caused alarmingly low agricultural deliveries. The Satellites' failure to realize increased agricultural deliveries, coupled with the lack of available consumer goods, amplifies the seriousness of the shortages, since agriculture (to a lesser extent in East Germany and Czechoslovakia) was counted on to supply much of the food and raw materials for consumer goods promised by the governments. It is doubtful that the economies can support unplanned imports of food and large increases in consumer goods or raw materials. This situation threatens the implementation of the planned increase in manufactured consumer goods availabilities.

It is too early to know to what extent the new plans for agricultural investment have been carried out. Shifts in investment were not to take place until 1954. It should be pointed out, moreover, that in the past the planned investment for agriculture, although small, was not always realized.

The varying attitudes of Communist Party officials, on both the upper and lower levels, with reference to the private farming sector is causing and will continue to cause confusion in the agricultural programs of the Satellites. The cooperation and unity of these officials is needed to carry out these programs in the countryside. To date, this confusion within the party is not helping the governments' efforts to gain the confidence and cooperation of the peasants.

b. In 1954-55.

Although many decrees issued in 1953 were aimed at providing immediate concessions to peasants and workers, the interpretation and final execution of these decrees in most instances will carry well into 1954. Many of the decrees issued in the latter part of 1953 set up plans and policies extending into 1955-56. Little evidence is available to indicate programs of the "New Course" beyond 1955-56.

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To implement fully the proposed programs during 1954-55, large investments in the fields of agricultural equipment, agrotechniques, rural housing, livestock, credit, and agricultural education are to be made. Proposed investments, where announced, appear extremely large in comparison with recent agricultural investments, but when compared with total investments, the increase in agricultural investments in most countries is not spectacular. Poland announced a 45-percent increase in agricultural investments over 1953 for the years 1954 and 1955. This increase represents an increase from 9 percent of total investment in 1953 to 13 percent in 1954-55 and only a very slight increase over the original plan goal of 11.9 percent. Agricultural investment under the "New Course" in Czechoslovakia, although showing a substantial increase over recent investments, represents only about 3 percent of total investments, whereas the original Five Year Plan had called for agricultural investments at 7.9 percent of the total for 1949-53. This indicates that past investment plans had not been fulfilled and that the present rate of investment probably would not be sufficient to raise production to original planned levels of 1953, assuming that their original plan was realistic.

The over-all production of nitrogenous and phosphate fertilizers is not expected to increase at a rate greater than its rate during the past 2 or 3 years. Plant capacities will limit the production of fertilizers of both types, and the production of phosphates (primarily superphosphates) will be limited by the competition between industry and fertilizer for sulphuric acid. Therefore, the significant increases in availability of these chemical fertilizers announced by the European Satellites will have to be realized primarily by increased imports. There is no indication that the European Satellites plan to increase imports of fertilizers during the next 2 to 3 years.

6. Probable Success or Failure of the "New Course" in Agriculture.

The short- and long-term objectives as outlined above can be summed up into two major goals: (a) to increase agricultural production and (b) to strengthen and extend the socialized sector of agriculture. The probable success or failure of these two goals is discussed as follows:

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a. Production.

The success of the European Satellite governments in effecting an increase -- or at least in stopping the downward trend -- in production of crops and livestock will depend upon their ability to convince the private farming sector that the "New Course" is long-range. As of 15 February 1954, there was no firm evidence of this -- in fact, the governments have been hedging on original policy statements when decrees implementing the policy have been published. In Hungary, for example, the policy of the right to withdraw from a collective was stated clearly in July by Premier Nagy, but when the formal law was written, it was so conditioned as to discourage peasant withdrawals.

Every Satellite government, in announcing a reduction in delivery quotas and taxes, increased credits, and allocation of investments, has continued its discriminatory practice of favoring the socialized sector. A continuation of such practices would certainly raise doubts in the mind of the private farmer as to whether there has been any real change in the government's intentions. It is not believed that independent farmers will accept government credits, which would obligate or compromise them in such a way that the government could at a later date economically force them into collectives. Being conservative by nature, peasants will take a "wait and see" attitude.

The more liberal attitude of the Satellite governments under the "New Course" toward the private farming sector and the forced return to the countryside of peasants from the city may temporarily halt the increase in fallow land and the shortage of farm laborers that were occurring in East Germany, Poland, Czechoslovakia, and Hungary. This result should tend to stabilize production and, if there is a significant improvement in the availability of farm labor and machinery by 1955, should reduce harvesting losses, with a resultant slight increase in the production of grain and root crops. Increases in livestock numbers raised for meat purposes (particularly hogs) will depend upon the increased production of fodder grains and potatoes.

In view of the difficulty the Satellites probably will experience in increasing significantly the supply of industrial consumer goods to the rural areas during 1954, they may be faced with the recurring problem of getting the peasant to sell his produce to the government. Unless the incentive consumer goods become available, moreover, independent farmers and even collective farmers will not have reason to increase production or market a greater proportion of their production.

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b. Collectivization.

The European Satellites may be more successful in their attempts to consolidate and strengthen the socialized sector during the next 2 to 3 years, assuming there is no large expansion in that sector. Despite statements by the Communist officials about the importance of the role played by small and middle class peasants in agricultural production, the officials have also claimed that complete socialization of agriculture is still their goal. Therefore, it appears safe to assume that the greatest share of investments will be allocated to the collective sector.

Investments and credits for farm buildings, housing, machinery, livestock, and fertilizer should strengthen the production base of collectives. Increases in fertilizer production will show up in the collective sector. Recent evidence in East Germany indicates that first priority on fertilizers is given to the collectives. This should improve the capabilities of the collectives to increase production, assuming average weather conditions. It will probably take a minimum of 2 and possibly 3 years before the above production inputs will show effective results.

The Communist regimes should be able to improve organizational structure and operations. People are to be trained to improve the bookkeeping and accounting systems. Also political cadres are to undergo thorough training, which could have a favorable effect upon the discipline of the collective members.

c. Conclusions.

In conclusion, it is believed that in the short run (1 to 3 years) or the long run (5 to 10 years) the Communist goal of increasing agricultural production over prewar levels will not be successful to any significant degree. This conclusion is based upon the assumption that the recent policy, as announced, calls for continued emphasis on investment and credits in the socialized sector, with a gradual increase in the size of this sector. Information available indicates that the collectives in the past have not been able to equal crop yields of private farmers, despite the fact that the collectives had first priority on the available fertilizers, machinery, and improved seed.

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On the basis of the foregoing, the Satellite governments will continue to face the problem of inadequate agricultural production as a means of supporting an increase in living standards and light industry, unless aid is extended by the USSR. The passive resistance of the peasants will continue to plague the government programs and will have a depressive effect upon the economic capabilities of the European Satellites as long as the Communist regimes actively pursue their goal of socializing agriculture.

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